

**MINUTES OF THE
TAX REFORM TASK FORCE**

Thursday, August 25, 2005 – 12:00 noon – Room W110 House Building

Members Present:

Rep. Wayne A. Harper, House Chair
Sen. Curtis S. Bramble, Senate Chair
Sen. Mike Dmitrich
Sen. Howard A. Stephenson
Pres. John L. Valentine
Rep. Ralph Becker
Rep. John Dougall
Rep. Todd E. Kiser
Rep. Rosalind J. McGee
Rep. Merlynn T. Newbold
Rep. Gordon E. Snow
Rep. Stephen H. Urquhart

Mr. Neil H. Ashdown

Comm. Pam R. Hendrickson

Members Absent:

Rep. Gregory H. Hughes

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Bryant R. Howe, Assistant Director
Ms. Angela D. Oakes, Associate General Counsel
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present, copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Task Force Business

Chair Bramble called the meeting to order at 12:15 p.m.

MOTION: Comm. Hendrickson moved to approve the minutes of the August 10, 2005 meetings. The motion passed unanimously with Sen. Dmitrich, Sen. Stephenson, Rep. Becker, Rep. Kiser, Rep. Newbold, and Rep. Urquhart absent for the vote.

2. Perspectives on Tax Reform - Congressman Chris Cannon, Third Congressional District, State of Utah

Congressman Chris Cannon spoke to the Task Force and said that as chair of the Subcommittee on Commercial and Administrative Law that he will play a role considering of any legislation concerning the Streamlined Sales and Use Tax Agreement. He said that Utah should distinguish itself as a state that is a good place to start a business by supporting efforts in Congress to make the Internet Tax Freedom Act permanent and eliminating its state corporate income tax. He said that the state corporate income tax is difficult to administer and is regressive. While not many states have eliminated this tax, he noted that it would be a positive step for Utah, especially with the state's recent budget surplus.

Congressman Cannon said that Utah is wise in adopting a “wait and see” approach with regard to the Streamlined Sales and Use Tax Agreement and whether or not it is good policy.

Chair Bramble asked about the status of the federal enabling legislation for the Streamlined Sales and Use Tax Agreement. Congressman Cannon said that he did not think that the legislation has been introduced and that the Streamlined Sales and Use Tax Agreement is one of many state tax issues that Congress is reviewing.

Pres. Valentine commented that lost revenues due to the repeal of the state corporate income tax would be difficult to replace and that a large portion of these revenues are paid by corporations with a small physical presence in the state. Congressman Cannon replied that the Legislature should act boldly and that the recent increase in state revenues could provide latitude regarding revenue. Congressman Cannon concluded that over the long term, repealing the state corporate income tax is the best policy.

Chair Bramble thanked Congressman Cannon for speaking to the Task Force.

3. Perspectives on Tax Reform - Paul Mero, Sutherland Institute

Mr. Paul Mero, Sutherland Institute, distributed and discussed "Policy Recommendations of the Sutherland Institute to the Tax Reform Task Force of the Utah State Legislature." He gave 12 recommendations to the Task Force on tax reform.

Rep. Dougall inquired as to why these recommendations would use the tax system to further social policy objectives. Mr. Mero replied that all government policies should promote positive values.

4. Working Group Reports

Income Tax Working Group

This Working Group did not meet.

Property Tax Working Group

Rep. Snow gave an update on the Property Tax Working Group. He said it reviewed several alternatives to the current "truth in taxation" newspaper advertisements that were proposed by the Utah Taxpayers Association and the Utah Association of Counties. The Working Group also discussed draft legislation concerning school district voted leeway exemptions and allowing for an inflation adjustment in the certified property tax rate. He also explained a proposal to limit the 45% residential exemption to the first \$100,000 of fair market value.

Sales and Use Tax Working Group

Rep. Harper gave an update on the grocery tax credit that is being proposed in the Sales and Use Tax Working Group. He said that the Working Group also heard a presentation from the Utah League of Cities and Towns commenting on single sales and use tax rate proposals. He said the Working Group also discussed recommendations to resolve confusing or inconsistent sales and use tax issues in laws and considered several proposals concerning the taxation of telecommunications. He said one proposal is to exempt from the sales and use tax sales of telecommunications equipment purchased for direct use in providing telecommunications services.

RDA and Other Taxes Working Group

Sen. Bramble gave a report on this Working Group to the Task Force. He explained that the Utah League of Cities and Towns made a significant proposal concerning redevelopment agencies. He said the Utah League of Cities and Towns also gave a very detailed definition of blight. He also said the League will be bringing draft legislation back to the Task Force for consideration. He said Sen. Stephenson is reviewing proposed changes to the formula for the one percent local option sales and use tax, including using wages as a factor in the distribution formula.

3. Other Items / Adjourn

MOTION: Rep. Dougall moved to adjourn the meeting. The motion passed unanimously with Sen. Bramble and Sen. Dmitrich absent for the vote.

Chair Harper adjourned the meeting at 1:29 p.m.